From: Tyler Nehrenz

Subject: Reg Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending - Closed-end Mortgages
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Comments:
I believe that R1366 for the most part could potentially help create a more transparent environment when it comes to lending practices. But as I read through the proposal it became apparent that this mandate is punishment for all because of the actions of a few. I truly believe that most brokers and loan officers are honest hard working people that make every effort available to serve their fiduciary duty to their clients. As a mortgage banker it is not in my best interest to deceive and act unethically as this industry is primarily network based. What I mean is most of our business originates from word of mouth and if a loan officer is acting unscrupulously their success is short lived and the market will punish them accordingly. I have been in the business since 2003 and have yet to witness an ARM or Pay Option ARM ever compensating in term of YSP more than a 30 year fixed mortgage. The majority of those borrowers that received these loan products did so by their own accord as the speculation of flipping a home and making a quick buck materialized. I think if proper research was compiled it would become apparent that most of these products were given to borrowers seeking to purchase investment properties. In addition I also believe that the data would indicate that an overwhelming number of current foreclosures were from these same type of borrowers. In general Joe Homeowner is not walking away from their home. It is the investor that was able to secure 100% financing on a loan that he intended to flip before his first payment was ever due. And 9 times out of 10 of these investors not only wanted but insisted on a Pay Option ARM or something similar. A lot of them made large sums of money without ever having to put their own at risk. Others got caught with their pants down so to speak and rather than doing the responsible thing just walked away from the property. It is easier to digest a foreclosure when you have nothing into the home to begin with.

My main purpose of this comment though is not to address the disclosure practice that is being proposed but to address the prohibition of Yield Spread Premium. By eliminating

this compensation structure you will be harming the consumer more than protecting them as you will have removed any competition that may exists thus the borrower will have no shopping ability when it comes the interest rate. In addition this will increase the cost to the consumer as rather than a loan officer charging your typical 1 point origination fee they will increase it to compensate for the lack of YSP that they would normally receive. I hope it is clear to the Federal Reserve that originating loans is more than just sitting at a desk taking loan applications. In a lot of cases we can spend months working with a borrower in order to get them qualified for a mortgage. It is the little mortgage broker or correspondent lender that is willing to do this work. The large banks will only take the best of the best when it comes to borrowers and by eliminating YSP compensation you will push a lot of hard working loan officers out of the industry thus giving the consumer no options except dealing with a large bank that is unwilling to work for their client.
Please when making a decision on R1366 try and be open-minded and be sure to look at the current situation from every angle before making a snap decision that will impact so many people in a negative aspect. I understand that there were some very unethical things that took place but the majority of us are honest, hard working people that strive to give our clients the best deal available. Sincerely, Tyler Nehrenz